



Updated Report on Illinois Debt

Senator Mark Kirk

April 2012

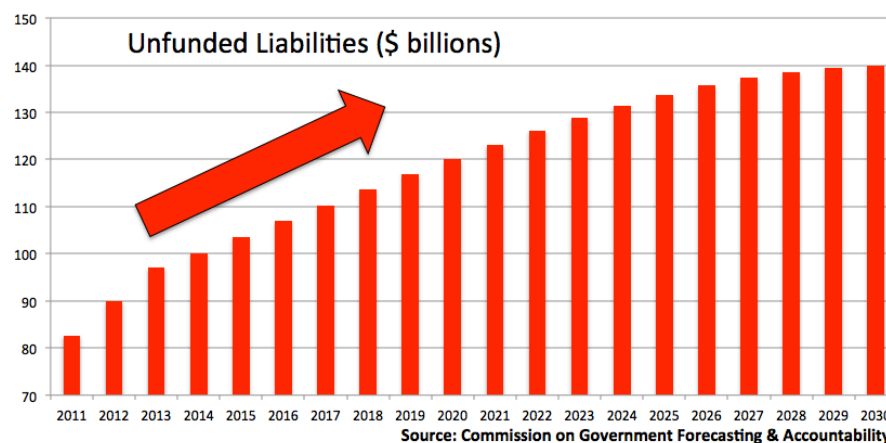
Growing Crisis In
Unsustainable Debt

Last October, Senator Kirk's office released the **Report on Illinois Debt** with assistance from his Sovereign Debt Advisory Board. The report warned of a growing crisis in the State of Illinois due to expanding debts and unfunded obligations. Instead of taking steps to protect residents and businesses, Illinois' leaders have: increased taxpayer liabilities, deteriorated the state's fiscal environment and incurred an additional debt downgrade by Moody's Investor Services.

Failing to undertake common sense fiscal reforms during the state's veto session, the fiscal outlook described in Senator Kirk's report has worsened.

- Moody's has downgraded Illinois' debt from A1 to A2, the lowest rating in the nation.
- At a bond offering in March, Illinois had to pay a 4.69% yield on certain bonds. Dow Jones found that similar but better rated debt yielded 1.45 percentage points less (145 basis points). This means entities without Illinois' negative credit record could have borrowed for 30% less in interest costs than Illinois.
- Unfunded liabilities have increased from \$82.9 billion in fiscal year 2011 to a forecast \$89.8 billion in Fiscal Year 2012 – an increase of nearly \$7 billion. If ignored, unfunded liabilities are forecast to climb to over \$139 billion by 2030.

Without Reform, Unfunded Liabilities Continue To Climb

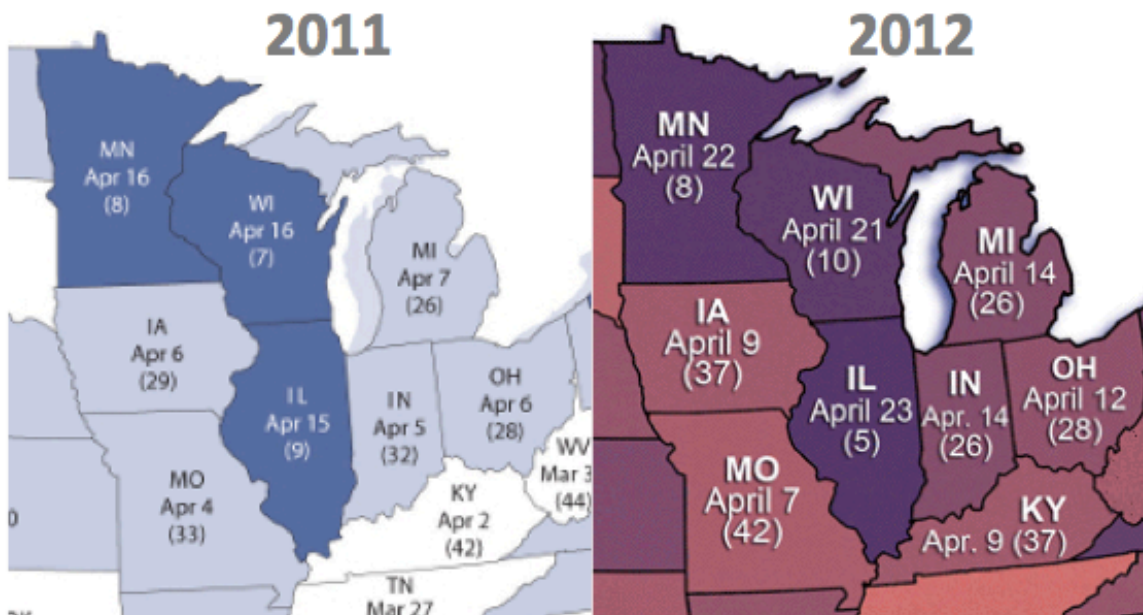


- The state is still failing to pay its bills on time. In January, the Comptroller's office estimated Illinois has a backlog of \$8.5 billion in unpaid bills. As of April 10, 2012, the Comptroller's office estimated a backlog of over \$6 billion in bills owed by the General Fund alone.
- Total bonded debt in Fiscal Year 2011 was estimated at approximately \$30.1 billion while total bonded debt for Fiscal Year 2012 is estimated at around \$30.2 billion.
- The state is still expected to end the fiscal year with a \$508 million operating deficit.
- Although the Governor's budget proposes modest cuts, pension and interest costs have increased so much that total spending is still up.

In early 2011, Illinois pursued tax increases instead of addressing short and long-term liabilities. With the tax hike in place, Illinois jumped to having the 9th latest Tax Freedom Day in the nation. This year, Illinois has jumped again and is tied for the fifth latest Tax Freedom Day. So Illinois taxpayers take longer to pay their total tax burden – local, state and federal taxes – than Americans in 44 other states.

- Illinois' Tax Freedom Day is now later than Minnesota's or Wisconsin's. This means the people of Illinois work longer to pay the government than any other state in the Midwest.
- Illinois Tax Freedom Day 2012 is April 23, eight days later than it was in 2011. The national average is April 17.
- This tax burden is in addition to the debt burden owed to local, state and federal government outlined in the *Report on Illinois Debt*.

ILLINOIS NOW **LAST** IN THE MIDWEST



Source: Tax Foundation

Over-spending, tax hikes, and blocking necessary fiscal reform have given Illinois the worst economic reputation in the nation. State leaders should move to enact bipartisan pension reform and spending restraint to put Illinois' fiscal house back in order.